Rapid Growth In South And West Narrows Regional Differences

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Economic imbalances among geographic regions are receiving increasing attention today. In part this is because these regional disparities have become more evident as the general level of national prosperity has risen. In early 1975, massive unemployment and falling output were acute problems virtually throughout the United States. Today, some regions or areas have returned to high levels of prosperity, while others appear to lag badly behind. In addressing these imbalances, the effects of long-term structural shifts in the economy need to be understood. These longer-term trends have reduced some geographic differences while accentuating others.

Perhaps the most widely perceived regional trend has been the acceleration of economic growth in the South and West and the coincident decline in economic eminence of the Northeast. As shown in the first chart, the period from 1950 to 1975 witnessed a marked reduction in regional differences in real per capita personal income levels. Underlying the convergence of incomes were two noteworthy phenomena: increasing industrialization of the South, and the continuous decline of farm population, both of which figure significantly in determining patterns of population migration.

For a number of years the South's industrial gains had been concentrated in relatively low-skilled nondurable goods manufacturing. The available labor pool, nonunion wage scales, and transportation facilities were attractive to industries such as textiles. In recent years, growth of a broader mix of industries has been fostered by an improved economic infrastructure, the increased importance of Gulf States' energy industries, and growing urban areas that seem comparatively free of the problems of their Northern counterparts. In contrast to the out-migration of the 1950's, the South experienced population gains through migration in the 1960's and these gains have accelerated sharply in the 1970's.

The chart on shares of manufacturing employment indicates the extent of industrial growth in the South. Between 1956 and 1976, manufacturing employment as a percentage of the Nation's employment remained roughly constant. However, the South's share of manufacturing rose by 8 percentage points while the Northeast lost 8 points, leaving the South with a larger share than the Northeast.

Farm population has been falling for decades, although in the 1970's the rate of decline has slowed somewhat. Mechanization of agriculture in the South played an important role in the massive net migration of rural Southerners, a large number of whom were blacks, to Northern urban areas. Recent evidence suggests that in this decade net black migration from the South to the North has slowed dramatically, or halted completely, reflecting the slowing of farm population decline and improvements in economic opportunities and the civil rights atmosphere in the South.

Examination of economic performance by region over the past four years provides ample evidence for the heightened concern over imbalances in growth rates.

All four regions experienced sharp recession-induced rises in unemployment between 1973 and 1975, and relatively slower downward movements over the next two years. The unemployment increase in the Northeast was sharpest and its decline least pronounced. The chart on employment changes reveals that despite the recession, the South and West registered modest gains between 1973 and 1975. Over the past two years the Northeast has lagged behind the rest of the country in employment growth, while the South has shown a dramatic rise.

A considerable amount of commentary has focused on the need for greater capital formation to help achieve a number of economic objectives. The figures on industrial construction spending by region between 1973 and 1976 show sizable declines in the North—even though it has an older capital stock—and large gains in the South and West.

Housing starts were depressed severely in all regions between 1973 and 1975, with the sharpest declines in the Northeast and South. Over the past two years, the West has had the most spectacular gain while the North Central and South have recovered considerably. The Northeast has again lagged behind other regions.

There seems to be ground for the popular assertion that long-term shifts, while partially insulating some regions, have increased the vulnerability of the Northeast to cyclical downturns. The quadrupling of prices of imported crude oil and other energy-related events also probably have had greater adverse impact on Northern areas than on the South and West. In contrast, some areas of the South and West must cope with the social and environmental problems brought on by sudden rapid growth.

The White House Conference on Balanced Growth in January brought together 500 individuals representing a broad sampling of American thought. Although there were conflicting views on the precise role of the Federal Government in influencing regional growth, there was general agreement on the need for Federal policy-makers to take into account the impact of their actions on various areas. Subsequently, as part of the President's urban policy proposals, the Secretary of Commerce has been asked to take the lead in developing a better base of statistical information which will enable policymakers to identify local needs and measure the impacts of various Federal programs.